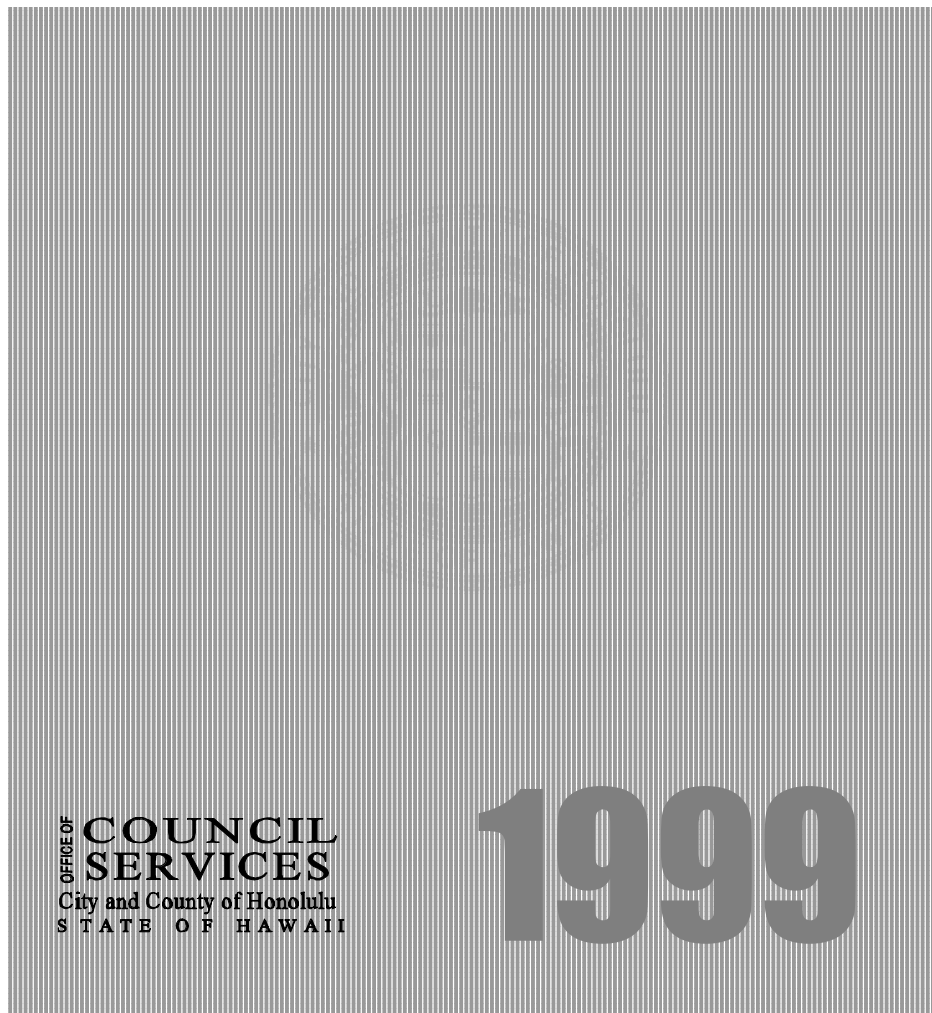# PERFORMANCE AUDIT

Of the City s Motor Vehicle, Licensing and Permit Functions

1999

PERFORMANCE AUDIT
Of the City s Motor Vehicle, Licensing and Permit Functions

PERFORMANCE AUDIT
HIGHLIGHTS

June 1999

City Motor Vehicle, Licensing and Permit Functions

Introduction

The Division of Motor Vehicle, Licensing and Permits ("Division") became part of the newly-created Department of Customer Services on July 1, 1998. The Division processes a high volume of license and permit-related transactions. It also has regular and extensive contact with the public, so customer service is an important aspect of its work.

The objectives of this in-house audit by the Office of Council Services were to assess the adequacy of the management policies and procedures pertaining to the City's motor vehicle, licensing and permit functions, and to develop recommendations to address any weaknesses identified.

Findings and Recommendations

Inadequate staff training, lack of official policy guidelines, and weak quality controls have resulted in a high rate of staff errors and delays in customer service.

Recommendations: Establish a formal training program, develop an official, complete, and codified manual of policies and procedures, and reinstitute quarterly error reports on transactions processed.

Inadequate or misallocated personnel result in excessive backlogs, customer delays and inadequate permit enforcement.

Recommendations: Determine the causes of the backlogs and review personnel allocations, consider treating same-day service for multiple vehicle transactions as a premium service available at a higher fee, consider staggering taxicab business license expiration dates so as to distribute the workload more evenly throughout the year, and review business license statutes and ordinances to determine if regulation of the activity continues to be needed to protect public health and safety.

Other recommendations:

- Make correction of the Y2K problem in the automated motor vehicle registration renewal system a top priority.

- Establish an information program to clearly communicate to the public what driver license services are available where.

- Consider initiating a periodic review of the written driver license test, such as every ten years.

- Review proper procedure for reconciling the cash register with staff.

- Renew efforts for legislation to allow escheat of unclaimed security deposits to the City, which now total over $50,000.

- Consider establishing a policy of minimizing the amount of cash and checks held overnight at satellites and driver license offices.

Agency Response

The Department generally agreed with the findings and recommendations. However, regarding our recommendation that it consider an alternative to its existing quota on same-day processing of multiple vehicle transactions by car dealers, the Department disagreed. OCS stands by our suggestion that the service be priced as a premium service since processing multiple vehicles on the same day the paperwork is submitted is clearly more burdensome for the City to provide and more valuable to the customer than processing one vehicle by mail.

The Department also stated that the State Department of Transportation, not the counties, is responsible for updating the driver license test. OCS contends that updating the driver license test would require a cooperative effort by the state and the counties and recommend that the Division take a more proactive role on this issue.

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I. Introduction

This audit of the City's motor vehicle, licensing and permit functions was initiated by the Office of Council Services' (OCS) Audit Section as part of its ongoing program to audit various City programs and services on a rotating basis. These functions were selected because of the frequency of public contact with operations, the large amount of revenues handled, the large variety of licenses and permits administered, the decentralized operations, the recent adoption of licensing technology, and because the limited scope of the audit made it suitable for an in-house audit.

A. Objectives

The objectives of this audit were to assess the adequacy of the management policies and procedures pertaining to the City's motor vehicle, licensing and permit functions, and to develop recommendations to address any weaknesses identified.

B. Scope

In this audit, the following functions pertaining to motor vehicles, licensing and permits were reviewed:

  (1) Motor vehicle registration;

  (2) Motor vehicle control (i.e. reconstructed vehicle laws, motor vehicle safety inspection, and abandoned and derelict vehicle programs);

  (3) Motor vehicle driver licensing;

  (4) Motor vehicle financial responsibility (i.e. regaining the right to drive after a serious accident without insurance); and

  (5) Other licenses and permits (i.e., bicycle-/moped licenses, business licenses and park permits).

We also observed operations at the central offices and selected branch offices of the Division of Motor Vehicle, Licensing and Permits, Department of Customer Services. Fieldwork for this audit was conducted from October 1998 through March 1999.

C. Methodology

Documents such as agency reports and forms were reviewed, procedures were observed, and interviews conducted. Based on this information, the following were identified: (1) objectives of the functions; (2) risks inherent to the functions that might interfere with meeting the objectives; (3) policies and procedures established to address those risks, and; (4) areas where risks were not addressed or where policies and procedures did not reasonably protect against the risks.

II. Background

A. Origins

In the State of Hawaii, state law (Hawaii Revised Statutes, Chapters 249 and 286) authorizes the counties to register motor vehicles, collect state and county vehicle weight taxes, and issue state driver's licenses and vehicle license plates. County responsibility for motor vehicle registration and driver licensing began in the Territory of Hawaii with the 1937 enactment of the Uniform Motor Vehicle Operator's and Chauffeur's License Act. Under the Act and current statutes, the state and the counties are jointly responsible for the motor vehicle registration and driver licensing functions in Hawaii. This arrangement is an anomaly in the United States. Typically, these functions are a state responsibility.[1]

B. Current Agency Profile

1. Organization

Prior to the Mayor's reorganization on July 1, 1998, the agency in charge of motor vehicles, licensing and permits was part of the Department of Finance. With the reorganization, the Division of Motor Vehicle, Licensing and Permits ("Division") is part of the newly-created Department of Customer Services (see Exhibit I).

The Division is organized into two branches: (1) motor vehicles, including motor vehicle registration and control; and (2) licensing and permits, including driver licensing, business licenses and park permits.

2. Budget

In fiscal year 1998, the Division recorded expenditures of $8,585,322 compared to license and permit revenues of $40,375,519.

3. Activities

The Division processes a high volume of license and permit-related transactions. In fiscal year 1998, 705,087 in-state motor vehicles and trailers, and 4,585 out-of-state vehicles were registered. Also issued that year were 22,669 duplicate certificates of title, 16,811 replacement license plates, 24,913 replacement license plate emblems, 32,882 new driver licenses, 42,064 learner permits, 24,789 duplicate licenses, 1,931 taxicab certificates, 2 pedicab certificates, and 1,900 business licenses. The Division processed 165,423 motor vehicle ownership transfers and 111,492 driver license renewals. With the reorganization, the Division also became responsible for issuing park permits, formerly a function of the Department of Parks and Recreation.

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[1]We know of only one other local jurisdiction in the country which administers both motor vehicle registration and driver licensing laws, King County in the State of Washington, a county much larger than Honolulu in population. In the State of Colorado, the counties are responsible for motor vehicle registration, but the state government issues driver licenses.

EXHIBIT I

In the course of processing these transactions, the Division has regular and extensive contact with the public. Customer service is therefore an important aspect of its work.

4. Location

Many of the license and permit functions of the Division are carried out from a central office and a number of "branch" operations at various Oahu locations. Motor vehicle transaction services, including bicycle and moped licensing and registration, are offered at the Motor Vehicle Registration Core ("MVCore") office, located in Chinatown Gateway Plaza, and at eight of the City's nine Satellite City Halls ("satellites").

The satellites offering motor vehicle transaction services are located at Ala Moana Shopping Center, Pearlridge Shopping Center, Enchanted Lake Shopping Center, Fort Street Mall, and in Kalihi, Kaneohe, Wahiawa, and Waipahu. The ninth satellite in Waianae and three "City Hall on Wheels" mobile units offer limited motor vehicle transaction services; they cannot process title transfers or out-of-state vehicle registrations.
Driver license services are offered at the Driver License Core ("DLCore") office located at City Square in Kapalama, and at five driver license substations located at Fort Street Mall and in Kaneohe, Pearl City, Wahiawa, and Waianae. Camping and picnic permits are issued at all of the satellites and at the licensing and permits branch at the Honolulu Municipal Building (HMB). These locations all have on-line, real-time computer access to reserve sites in the City's parks.

Certain license and permit functions of the Division operate only from a central office. Taxicab business licenses are only issued at the MVCore. The Motor Vehicle Control section

operates from a site in Kapahulu, and oversees motor vehicle safety inspections, taxicab and reconstructed vehicle inspections, and administers the abandoned vehicles law. The Commercial Driver License unit operates from a site in Halawa. Parking permits for disabled persons and business licenses, with the exception of taxicab business licenses, are issued at the HMB, as are park use permits for sports leagues, meetings, workshops, craft fairs, surf meets, outrigger canoe regattas, permits for special events such as the Honolulu Marathon and use of the Civic Center grounds.

The general locations of the Division's offices are shown in Exhibit II.

5. Data Storage

The motor vehicle registration, licensing, and permits functions rely heavily on mainframe computer databases and require accurate, centralized record-keeping.

EXHIBIT II

III. Findings And Recommendations

Finding Number One:

Inadequate staff training, lack of official policy guidelines, and weak quality controls have resulted in a high rate of staff errors and delays in customer service.

1.1   There is no formal program to train staff in handling motor vehicle transactions.

In the past, satellite managers and MVCore supervisors have conducted training sessions on how to process motor vehicle transactions. Currently, however, there is no requirement that staff receive formal training or that training be standardized with a set curriculum. Staff have complained that the training they do receive is inadequate and incomplete. At the satellites where the need is especially acute, training is left to the discretion of the individual managers, and this is usually done "on-the-job" and "as time allows".

The lack of adequate training is likely the cause of the many errors being made by personnel in processing motor vehicle transactions.[2] The errors result in time wasted by staff to correct the errors, and cause delays and inconveniences for customers.   The majority of errors originate

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[2]In the Division's last quarterly error report (April to June, 1998), 1,182 errors were found in the 1,159 documents processed by the satellites. MVCore management estimates up to 40 percent of staff time is used to correct errors.

in the satellites, and are reportedly a source of tension between satellite and MVCore staff.

The need for a formal training program is important for two reasons. First, the job of processing motor vehicle transactions is relatively complex. The staff at the MVCore and the satellites handle a variety of motor vehicle transactions, including but not limited to issuing new, renewal, temporary, and duplicate vehicle registrations, and processing applications for new and duplicate certificates of title. They must know how to process the registration of out-of-state vehicles. In addition to being familiar with the various legal requirements and detailed procedures, the work requires skills such as researching vehicle and owner information (e.g., vehicle description, identification number, odometer reading, identity of the registered owner and lienholder if applicable), verifying forms, record keeping, data entry and verification, and particularly at the satellites, dealing with customers face-to-face and collecting fees, penalties and taxes. Thus, processing motor vehicle transactions is a demanding activity, which according to branch management, requires several years of experience in order for staff to become fully capable of performing the job.

Second, the need for a formal training program is important because motor vehicle transaction services have been decentralized from one central office to the satellites over the last eleven years. Prior to 1988, all motor vehicle transactions were processed by the Department of Finance's Division of Motor Vehicles and Licensing at its central location in Pawaa. During that period, the satellites' role was

simply to collect forms, conduct a cursory review for completeness, collect fees, and transmit the forms to Pawaa for processing. In 1988, the Ala Moana Center satellite became the first to offer full motor vehicle transaction services. Since then, the decentralization of services has continued, and now all the satellites offer motor vehicle transaction services.

As the delivery of motor vehicle transaction services has expanded to the satellites, motor vehicle branch personnel have been reassigned to the satellites to handle these transactions. However, due to the volume of customer demand for motor vehicle transaction services (estimated by one satellite manager as constituting 75 percent of all the transactions handled), satellite managers have found that these transactions cannot be handled by former motor vehicle branch personnel alone. The managers have therefore engaged all satellite staff to process these transactions. This practice underscores the need for a formal training and cross-training program.

Recommendation:

A formal training program for all satellite staff should be established in consultation with satellite managers and MVCore supervisors. A major difficulty is finding adequate time to train personnel. If training needs to take place during working hours, then business hours may need to be adjusted to accommodate training sessions. This could be done provided the public is notified in advance. As an alternative, satellite staff could be rotated to the MVCore to obtain training on certain days.

1.2 There is no complete, official set of motor vehicle transaction policies and procedures. Supervisors are not required to maintain the policies and procedures.

The policies and procedures manual in the Division Administrator's office and those on the computer are incomplete, uncodified[3], and not updated regularly. There appears to be no plan to address this condition. Previous audits and management studies of the Division also noted the lack of a complete, official set of motor vehicle transaction policies and procedures and recommended corrective action. Individual supervisors and satellite managers keep their own sets of policies and procedures but there is no formal requirement that they do so. There are no Division guidelines for the organization of these documents. Since there was no official set of policies and procedures, we could not determine if the sets kept by the supervisors and managers were complete. Finally, the existing policies and procedures are not maintained on computer.

The motor vehicle branch has established a "Process Action Team" (PAT) process in which the head of the Division, various motor vehicle branch supervisors and satellite managers meet regularly to review and amend branch polices and procedures. As a result of the meetings, changes to policies and procedures are communicated in writing to the rest of the personnel in the branch and the satellites. While this appears to be a useful tool for improving operational efficiency and fostering organizational cohesion, it is not a substitute for

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[3] By codified, we mean to organize the policies and procedures by subject so that revisions to any provision can be made simply by revising and replacing the affected page. Current revisions are collected chronologically and must all be reviewed to determine which provisions have changed and which remain in effect.

developing an official, complete, codified, and updated set of policies and procedures.

The lack of a formal policies and procedures manual increases the risk of confusion and lack of compliance. It also hampers the development of a standardized training curriculum.

Recommendation:

The Division should develop an official, complete, and codified manual of motor vehicle branch policies and procedures. Once developed, copies should be issued to all supervisors and satellite managers with written guidelines on keeping the policies current. The policies and procedures should be put online in a computer database. In the interim, the Division should consider compiling policy and procedure changes resulting from the current PAT meetings into a central computer file accessible by the satellites.

1.3 The motor vehicle branch does not monitor its errors in processing transactions.

Prior to 1998, the accounting section of the motor vehicle branch compiled and issued quarterly reports on the number of motor vehicle transaction errors found and corrected by type of error and by the office committing the error. However, this report was discontinued in 1998 when no discernable reduction in the number of errors was noted. The error report was not widely distributed after it was compiled.

By itself, an error report cannot be expected to reduce the incidence of errors. However when used in conjunction with a formal training program with a standardized curriculum and an official policies and procedures manual, an error

report can be a useful tool for MVCore and satellite managers to evaluate the efficiency of their operations and the effectiveness of staff training and other management improvements.

Recommendation:

The practice of compiling and issuing quarterly error reports on motor vehicle transactions should be reinstituted in conjunction with the recommended establishment of a training program and official policies and procedures manual. Copies of the error reports should be sent to the Director of Customer Services, the Division head, motor vehicle section chiefs and supervisors, and satellite managers. Satellite managers and section chiefs should be required to report on their efforts to reduce the number of errors.

1.4 There is no official set of policies and procedures in the licensing and permits branch for the issuance of park use permits.

One general application form is used by the public to apply for permits for all park use activities. However, certain types of permits require that the park user obtain insurance if anything is being sold, or pay for additional park services, such as sanitation services, maintenance, or police security, or obtain other permits, such as a state shoreline permit if the park use is water-related.

An official, complete, codified, and updated set of policies and procedures for the issuance of park use permits is important given the use of only one general application form to cover a wide variety of park uses. An official set of policies and procedures is also important because of the need to train HMB licensing and permits staff. The present lack of an official set

of policies and procedures increases the risk of errors, delays to customers, failure to comply with laws, policies and procedures, and inconsistencies in handling permit applications.

Recommendation:

An official, complete, codified, and updated set of policies and procedures for the issuance of parks permits should be developed and maintained.

Finding Number Two:

Inadequate or misallocated personnel result in excessive backlogs in processing motor vehicle transactions, customer delays and inadequate permit enforcement.

2.1   Processing backlogs suggest insufficient staffing.

As discussed in detail below, the Division is experiencing excessive backlogs in processing various transactions. While the specific causes of each backlog may vary, one common factor appears to be a lack of adequate staffing to keep current with the daily workload.

We note that for all of the transactions in question, the Division charges a fee. The fee is supposed to be set to cover the cost of processing the transaction. Fees currently provide more than ample revenues to cover administrative costs. If the reason for an excessive processing backlog is lack of sufficient personnel, then it would be reasonable to consider adding more personnel.

Recommendation:

The Division should determine the causes of its processing backlogs, and review the staffing relating to motor vehicle licensing and permits to ensure there is sufficient staff.

2.2   There is a backlog in processing dealer drop-off motor vehicle transactions.

Obtaining proper ownership titles, license plates, and motor vehicle registrations for vehicles sold through car dealerships represents a large share of motor vehicle transactions. In order to facilitate the processing of these transactions, dealers are allowed to "drop-off" transactions in bulk at the MVCore. There is currently a two- to three-week backlog in processing these transactions. According to Division management, the association of car dealers plans to obtain on-line computer access with the City which would expedite processing of these transactions. However, the association has not yet selected a provider of on-line services.

Recommendation:

In addition to supporting the dealers in obtaining on-line computer access for motor vehicle transactions, the Division should review the nature of the backlog and consider methods to minimize it, such as employing or contracting for additional personnel or reallocating existing personnel to reduce the backlog.

2.3   The Division's quotas on same-day processing of walk-in registration of multiple vehicles by car dealers

has no apparent relation to the demand.

In addition to having drop-off service at the MVCore for the processing of motor vehicle transactions in bulk, car dealers may sign up in person for an appointment to process multiple motor vehicle transactions that same day, subject to certain limits. This service is available at the MVCore and at four of the City's nine satellites: Kailua and Kaneohe (five days per week) and Waipahu and Kalihi (two days per week). At the MVCore, same-day service is limited to a fixed quota of up to five transactions per sign-in appointment, and up to four appointments per day per dealer. At the above satellites, the quota is two transactions per appointment per dealer.

According to MVCore management, limits on car dealer transactions are necessary in order to allow staff to provide service to other customers. However, the established quotas for the MVCore and satellites appear to have no clear relation to the level of demand for the same-day, multiple transaction service at each site, nor to the time and staff resources required to process the multiple transactions. Currently, dealers using either the drop-off service or the same-day service are charged the same fee for the motor vehicle transaction as are private individuals needing to process one vehicle. If the fee for same-day, multiple transaction service were raised to accurately reflect the additional administrative burden of the service, it may be possible to eliminate all quotas. It may also be possible to provide dealers and private individuals who want to complete multiple transactions with the same service, rather than treating dealers differently.

Recommendation:

The Division should review whether the same-day service quota represents a reasonable balance between customer demand and available personnel at the MVCore and the satellites. Alternatively, it should consider eliminating quotas and treating same-day service for multiple vehicle transactions as a premium service, available at a higher fee. The revenues from a higher fee could then be used for additional staff, if necessary. Finally, it should consider establishing a single fee and a single set of procedures for persons wanting same-day, multiple transaction service, rather than singling out dealers.

2.4 There is a backlog in processing certain mail-in motor vehicle transactions.

Certain mail-in motor vehicle transactions, excluding motor vehicle registration renewals, are processed by the MVCore. Examples include transfers of title, changes in lien holders, duplicate certificates of title, registration of City-owned vehicles, requests relating to the asset forefeiture program, and miscellaneous queries from the public. MVCore has a two-week backlog in processing these transactions representing approximately 250 pieces of mail. The backlog results in delay and inconvenience to the public. There is no plan to minimize the backlog.

Recommendation:

The Division should review the nature of the backlog and consider ways to minimize it, such as hiring additional personnel, or reallocating existing personnel. For example, responding to certain mail-in requests may not require a fully-trained motor vehicle clerk.

2.5 There is an unnecessary concentration of work to process taxicab licenses in the month of June.

Taxicab business licenses are issued only at the MVCore. Taxicab safety inspections, which are required for a taxicab driver to obtain a taxicab business license, are available only at the motor vehicle control section's Kapahulu complex. Although taxicab drivers are allowed and even encouraged to have their safety inspection performed at any time of the year, in practice, the demand for taxicab safety inspections is concentrated in June because all taxicab business licenses expire in June. There is no reason for having all taxicab business licenses expiring in the same month. This practice creates a high volume of work in a single month for both the business license unit at MVCore and the Kapahulu taxicab safety inspection office for no legitimate reason. This causes unnecessary delays in issuing taxicab licenses.

Recommendation:

The Division should consider staggering taxicab business license expiration dates so as to distribute the workload more evenly throughout the year.

2.6 There is a backlog in filing driver license cards.

Persons applying for driver licenses for the first time and persons renewing their licenses must complete a card containing personal information. The information is entered into the driver license computer database. The driver license cards from the DLCore office in Kapahulu and the various driver license substations are then centrally filed at the

DLCore in an automated file retrieval system ("latriever"). There is now a two- and a half-year backlog in filing the cards. Until the information on the cards are entered into the latriever, the backlogged cards are stored in a separate room and organized in a manually-retrievable order. Management estimates that it takes staff 15 minutes longer per transaction to retrieve data manually than through the automated system. The backlog thus burdens staff and delays services to the public.

According to management, the law requires certain driver license information to be preserved by the Division for as long as the information is current. Some of the information resides only on the driver license cards and not in the current computer database, such as parental consent signatures for minors, thumb prints made prior to April 1998[4], and the applicant's work address.   This is reportedly why the cards must continue to be maintained by the Division.

Recommendation:

The Division should consider means of reducing the current backlog in filing driver license cards into the automated retrieval system, such as temporarily reallocating personnel or using temporary contract hires. For the longer term, the Division should consider improving the storage capabilities of the driver license computer system.

2.7 Due to lack of adequate personnel, compliance with most business license and parks permit require-

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[4]Since April 1998, the branch has had the capability to store thumb prints in the computer database.

ments is not monitored or enforced.

There are 22 different types of business licenses issued by the City and County of Honolulu (See Exhibit III). According to the Division, requirements for obtaining and maintaining auctioneer, pawnbroker, and secondhand dealer licenses are monitored by the police department. Requirements for maintaining taxicab business licenses are monitored by inspectors within the Division's Motor Vehicle Control Section. The requirements for the remaining 18 types of business licenses are not monitored. These include licenses for firearms manufacture and sale, garbage/refuse collection, glass recycling, hotel/boarding houses, lodging houses, bed and breakfast establishments, group homes, peddlers, wrecking/salvaging operations, scrap dealers, and panoram businesses.

The Division has one investigator position to enforce business licenses and park permits. The position has been vacant since November 1997, and there is no alternate enforcement system in place. The lack of an enforcement system increases the risk to the public of businesses operating without a license and endangering the public health and safety and casts doubt on the need for governmental regulation of these businesses in the first instance. Management at the HMB branch believes that there are a number of bed-and-breakfast establishments and group homes that are operating without a license.

The requirements placed by the City on park permitees are also not regularly enforced. According to the Division, park laws are enforced by a special parks detail of the police department. However, the parks detail is not dedicated solely to this enforcement function, but rather is a part of the police department's Special Services Unit that handles various other duties.

EXHIBIT III

Park use permits for events where items will be sold require that each vendor provide proof of insurance, and if food is to be sold, that each vendor obtain clearance from the State Department of Health. According to branch management at the HMB, there is insufficient personnel to ensure that every event held in a City park has obtained the proper permit or that the permittee complied with the permit or provided accurate information on the permit. While the City has the authority to shut down vendors who are not in compliance with permit requirements, the HMB branch lacks the personnel to inspect all permitted events. The lack of an enforcement mechanism increases the risk to public health and safety and the potential liability to the City.

Recommendation:

The Division should review business license statutes and ordinances to determine if regulation of the activity continues to be needed to protect public health and safety. If it is determined that regulation is no longer necessary, the Division, through the Mayor, should request repeal of the particular legislation by the state legislature or the City Council. In the case of state regulations that are still needed, the Division should consider requesting the legislature to transfer the enforcement responsibility for licenses required by State law to a State agency, such as the Department of Commerce and Consumer Affairs. In cases where the Division determines regulation by the City continues to be needed, a systematic enforcement mechanism should be developed and funded, raising the fees for such licenses if necessary.

Finding Number Three:

The Y2K problem in the automated motor vehicle registration renewal system needs to be resolved.

In certain computers and other devices in operation around the world, the microprocessor at the heart of the device is unable to correctly read the year 2000 as part of a date, a condition often referred to as the "Y2K" problem. The motor vehicle branch cashier section normally processes mail-in vehicle registration renewals using an automated system which compares renewal information with previous registration data contained in the branch's computer database. Renewals that are consistent with prior history are processed by the system and readied for mail-out to the registered owner, while renewals with discrepancies are diverted for manual handling. Since January 1, 1999, however, the system has been rendered unreliable by the Y2K problem, necessitating manual processing for all motor vehicle registration renewals.

The Division has a one-day average processing performance standard for mail-in motor vehicle registration renewals. The Division has continued to meet this standard despite the Y2K problem by having staff work after normal working hours to keep up with demand. This results in unbudgeted overtime costs.

Recommendation:

Make correction of the Y2K problem in the automated motor vehicle registration renewal system a top priority.

Finding Number Four:

The types of driver license services which are available at the Satellite City Halls vary, and the public is not adequately informed as to which services are available at which locations.

Although the satellites are providing more driver license services than previously, including license renewal and duplicate licenses, the road skills test is only administered at the DLCore at City Square in Kapalama and at the Kaneohe, Pearl City, Wahiawa, and Waianae driver license substations. The written driver's license examination is offered at these locations and at the Fort Street Mall satellite. At City Square, Wahiawa, and Waianae, the driver license substation is adjacent to the satellite office, but at Kaneohe and Pearl City, the driver license substations and satellite offices are at separate locations. Thus, driver license services are found at or near some, but not all, satellites, and are provided in offices that are sometimes, but not always, named "Satellite City Halls". Determining where to go to take a driver license test can be confusing and inconvenient for the public.

The Division is considering establishment of a "super satellite" in the near future that would offer all driver license services at one location, except administering the road skills test.

Recommendation:

An information program should be established to clearly communicate to the public what driver license services are available where. This might include posting signs and distributing brochures at each satellite and driver license substation describing the services provided, airing public service announcements on the radio and on television, and listing services and locations on the City's Internet website.

Relatedly, the Division should consider adopting a naming scheme or other clear method of informing the public of the availability of services offered at different locations. If certain driver license services such as road tests must be limited to certain specialized locations, perhaps those locations could be named "road test stations" and identified as separate from the satellites. Other services which do not require specialized locations should be offered at all satellites as much as possible. "Super satellites" should mean the availability of comprehensive services. As an option, perhaps "mini-satellites" could be designated where services are limited.

Finding Number Five:

The driver license test needs to be updated.

One of the requirements to receive a driver's license is passing a written examination. Counties in Hawaii have the authority to determine the content of the written test, subject to state standards regarding the number of test questions and the general test content. Prior to 1968, each county developed and used its own version of the written test. In 1968, in the interest of uniformity, one standard statewide test was devised. The Division staff believes that the standardized test was based on a National Highway Safety Council model with some modifications to meet Hawaii conditions, such as deleting questions relating to snow and ice.

Over the years, the statewide test has been revised periodically in response to statutory changes, but there has been no comprehensive review of the questions or content since 1968, and no revisions have been made to reflect

changes in county traffic codes. The counties and the State Department of Transportation are awaiting development of a new national model written examination by the American Association of Motor Vehicle Administrators. The completion date for the new model is not known.

The lack of an updated written examination and regular review of the test questions for relevance to current driving conditions increases the risk of granting licenses to inadequately informed or misinformed drivers.

Recommendation:

The Division, with the participation of its counterparts in the other counties and the State Department of Transportation, should consider initiating a periodic review of the written driver license test, such as every ten years, to ensure the test is relevant to current driving conditions, reflects current needs of drivers for information and guidance, and remains consistent with State and county amendments to the traffic code. The degree to which the national model should be adopted or modified should also be reviewed. The Division and the other agencies may wish to consider adding a driver courtesy component to the test to increase driver awareness of contemporary problems such as "road rage".

Finding Number Six:

Cash handling and security can be improved.

6.1   The Division's policy of "balancing the till" each time a cashier changes

is not consistently implemented at all satellites.

Motor vehicle transactions require the collection of various state and City taxes and/or fees from the public. The Division has a written policy requiring cashiers to reconcile the amount of money in the cash register with the number of transactions handled ("balancing the till") each time the person handling cashier duties changes. As an added safeguard, the policy also requires cashiers at the satellites to enter their personal identification code into the register whenever they assume cash handling duties. However, this policy is not consistently implemented at the satellites, particularly if there are a large number of customers waiting for service.

Lack of consistent implementation of the Division's policy increases the risk of loss due to error or fraud. It also makes it more difficult to investigate and correct instances where losses occur.

Recommendation:

Satellite managers should review proper procedure for reconciling the cash register with their staff and periodically observe changeovers to ensure the Division's policy is being implemented.

6.2   The Motor Vehicle Financial Responsibility section has over $50,000 in unclaimed security deposits for cases involving accidents without insurance.

The Motor Vehicle Financial Responsibility Section of the Division enforces the state Motor Vehicle Safety Responsibility Act, which requires that a person: (1) who is at fault in a

traffic accident with damages to persons or property of more than $10,000; (2) who is convicted of certain traffic violations; or (3) whose license has been suspended or revoked, furnish proof of financial responsibility in order to be allowed to continue driving. In the case of traffic accidents, a person can demonstrate financial responsibility in the event of future accidents in a number of ways. One way is to show proof of having automobile insurance. Another is to furnish a security deposit in the form of cash or bond in an amount sufficient to satisfy any future civil judgement. The Division's financial responsibility section retains the security deposit for two years, after which a driver who has maintained a clean traffic record may apply for a refund. A claimant is required by law to apply for the refund because the claimant must sign a written affidavit stating that there are no pending cases against the claimant.

Although there is no legal requirement to do so, the financial responsibility section takes several steps to notify a driver that a refund may be claimed. First, the driver is given a written receipt when the deposit is made which contains information on when and how the deposit can be reclaimed. Second, the expiration date of the two-year holding period is noted on the driver's record in the driver license computer database, enabling the section to notify the driver at the time of the driver's next license renewal. Third, within a year after the two-year holding period has expired, the section mails a notice to the driver's last known address. If no response is received within six months after the first notice was sent, the section mails a second notice.

A claimant who applies and is approved for a refund must claim the deposit within one year of the application. The problem arises if the depositor never applies for a refund. In that case, the legal recourse for the City appears to be unclear. In 1974, a new state escheat law

(Act 75, SLH 1974) repealed the provision which previously allowed unclaimed deposits to be escheated to the City. According to section management, the City's Corporation Counsel was asked in November 1993 for an opinion on how the deposited funds might escheat to the City if the depositor never applies for a refund, but to date, Corporation Counsel has not responded.

Over $50,000 in unclaimed security deposits has accumulated over the last twenty-five years in the financial responsibility section. The individual deposits range in amount from $50 to $300. The holding of these funds by the section for an indefinite period of time is an administrative burden and a waste of resources.

Recommendation:

The Division should renew its efforts for legislation to allow escheat of these unclaimed funds to the City or, as an alternative, to the State.

6.3   The Division incurs a security risk by holding a significant amount of cash and checks overnight at the satellites and driver license offices.

The satellites, MVCore, DLCore, and driver license substations collect fees from the public for the transactions they process. These funds are typically held overnight for pick up by an armored car the next day. Funds are picked up once daily at all of the satellites and above offices, except at the Kalihi satellite. The Kalihi satellite was recently burglarized and therefore the Division instituted two pick-ups a day. Additional physical security measures were also installed at the Kalihi satellite for its cash registers.

While the amount of funds held overnight at the satellites and offices varies greatly from day to day and office to office, one satellite estimated that it may hold up to $20,000 in checks and cash at a particularly busy time of the year. The potentially large amount of cash and checks held overnight poses a risk of loss. No policy exists to minimize the amount of funds held overnight.

Recommendation:

The Division should consider establishing a policy of minimizing the amount of cash and checks held overnight at its satellites and driver license offices. Also, in addition to using a prior history of criminal incidents as a factor, the Division should consider basing its security arrangements and armored car pickup schedules on the volume of transactions at a satellite or driver license office.

IV. AGENCY RESPONSE

The Office of Council Services (OCS) asked the Department of Customer Services to comment on a draft of this report. Their written response is appended to the report.

The Department generally agreed with the findings and recommendations, although it questioned some of them.

For example, the Department questioned whether the cost of establishing formal staff training and error monitoring were outweighed by the benefits to be derived. The Department responded that a staff policies and procedures manual would be prepared for motor vehicle transactions but failed to detail whether the manual would be codified as recommended or how often it would be updated. The Department said the motor vehicle license process would be streamlined to reduce the processing backlog but did not detail how this would be done.

The Department disagreed with the recommendation that it consider an alternative to the existing quota on same-day processing of multiple vehicle transactions by car dealers. OCS stands by its suggestion that the service be priced as a premium service since processing multiple vehicles on the same day the paperwork is submitted is clearly more burdensome for the City

to provide and more valuable to the customer than processing one vehicle by mail.

The Department stated that the State Department of Transportation, not the counties, is responsible for updating the driver license test. OCS contends that updating the driver license test would require a cooperative effort by the state and the counties and recommend that the Department take a more proactive role on this issue.

We made minor clarifications and corrections in response to other comments by the Department.